

GOVERNMENT OF INDIA
MINISTRY OF FINANCE
DEPARTMENT OF FINANCIAL SERVICES

LOK SABHA

UN-STARRED QUESTION NO. 808
TO BE ANSWERED ON 14th DECEMBER, 2018 / AGRAHAYANA 23, 1940 (SAKA)

'Liquidity Squeeze of MSMEs'

808 : Dr. Shrikant Eknath Shinde :
Dr. Pritam Gopinath Munde :
Shri Kunwar Pushpendra Singh Chandel:
Shri Vinayak Bhaurao Raut :
Shri Dharmendra Yadav :
Shri Shirang Appa Barne :

Will the Minister of FINANCE be pleased to state :

- (a) whether Micro, Small and Medium Enterprises (MSMEs) sector is among the sectors worst affected by demonetisation and banks are unable to meet entire credit demands of the MSME sector;
- (b) if so, the details thereof and the reasons therefor along with the response of the Government thereto;
- (c) whether the MSMEs had increasingly relied upon the Non-Banking Financial Companies (NBFCs) for financial transactions and loans, if so, the details thereof;
- (d) whether the NBFCs are facing liquidity squeeze having adverse effect on MSMEs, if so, the details thereof and the reasons therefor; and
- (e) the remedial steps taken or proposed to be taken by the Union Government to meet the funds requirement of MSMEs ?

ANSWER

THE MINISTER OF STATE IN THE MINISTRY OF FINANCE
(SHRI SHIV PRATAP SHUKLA)

- (a) & (b) : As per MSME-Pulse Report September, 2018, prepared by TransUnion CIBIL and Small Industries Development Bank of India (SIDBI), Micro (credit exposure less than Rs.1 crore) and Small and Micro Enterprise (SME) (credit exposure in the range of Rs.1 crore to Rs.25 crore) exhibited Year on Year (y-o-y) growth of 21% and 14% respectively between June, 2017 and June, 2018.
- (c) : Credit to MSMEs from Deposit Taking and Non-Deposit Taking Systematically Important Non-Banking Financial Companies (NBFCs) has increased from Rs.1,10,400 crore in June 2017 to Rs.1,55,981 crore in June 2018 as per data compiled by Reserve Bank of India (RBI).

- (d) : Asset Liability Management Guidelines are in place for NBFCs to manage their liquidity risk with particular emphasis on financing the gaps in stressed scenario. In addition, various measures have been taken to ease liquidity and meet funds requirements of stake holders including MSMEs. These, inter-alia, include, conduct of open market operations, regular Liquidity Adjustment Facility (LAF) auctions, permitting banks to reckon certain additional Government securities held by them as High Quality Liquid Assets, higher single borrower exposure limit for NBFCs up to December 31, 2018, permitting banks to provide partial credit enhancement (PCE) for bonds of minimum tenor of 3 years issued by Non-Deposit Taking Systematically Important NBFCs, relaxation in Minimum Holding Period (MHP) requirement for originating NBFCs in respect of loans of original maturity above 5 years, etc.
- (e) : Government and RBI have taken several steps to meet funds requirement of MSMEs. These inter-alia, include, advice to all Scheduled Commercial Banks (SCBs) to achieve a 20% year-on-year growth in credit to Micro and Small Enterprises (MSEs), allocation of 60% of the MSEs advances to the micro enterprise accounts, a 10% annual growth in number of micro enterprise accounts, additional working capital limit to meet the requirements arising due to unforeseen/seasonal increase in demand, adoption of one cluster, operationalising at least one specialised MSME Branch in every district, simplified computation of working capital of MSE units to make it minimum 20% of the projected annual turnover of the unit for borrowal limits upto Rs.5 crore, setting up of Trade Receivables Discounting System (TReDS) to solve the problem of delayed payment of MSMEs, etc.
